

FOR IMMEDIATE RELEASE

16 May 2016

ANNOUNCEMENT OF HALF YEAR RESULTS  
FOR THE SIX MONTHS ENDED 31 MARCH 2016

"Continued progress with a strong contribution from acquisitions"

	Unaudited Six months ended 31 March 2016 £m	Unaudited Six months ended 31 March 2015 £m	
Revenue	179.1	163.2	+10%
Adjusted operating profit <sup>(1)</sup>	30.8	29.6	+4%
Adjusted operating margin <sup>(1)</sup>	17.2%	18.1%	
Adjusted profit before tax <sup>(1),(2)</sup>	30.4	29.3	+4%
Profit before tax	25.6	26.0	-2%
Profit after tax	18.5	18.7	-1%
Free cash flow <sup>(3)</sup>	23.0	12.4	+85%
	Pence	Pence	
Adjusted earnings per share <sup>(1),(2)</sup>	19.5	18.6	+5%
Basic earnings per share	16.0	16.2	-1%
Interim dividend per share	6.2	5.8	+7%

(1) Before acquisition related charges.

(2) Before fair value remeasurements.

(3) Before cash payments on acquisitions and dividends.

## Financial Highlights

- Revenue increased by **10%**; businesses acquired contributed **9%** and underlying revenue increased by **2%**.
- Adjusted operating margin reduced to **17.2%** reflecting continuing transactional currency effects in Healthcare and initial dilution from acquired businesses.
- Adjusted profit before tax increased by **4%** to **£30.4m**; adjusted EPS increased by **5%** to **19.5p**, helped by slightly lower tax rate.
- Free cash flow increased by **85%** to **£23.0m**, benefitting from lower investment in working capital and **£2.3m** from sale of legacy properties.
- Acquisition expenditure of ca. **£30m** in first half (over **£80m** since January 2014).
- Strong financial position; net debt of **£17.8m** at the end of March 2016 with significant resources available.
- Interim dividend increased by **7%** to **6.2p** per share reflecting confidence in Group's growth prospects.

## Operational Highlights

- Life Sciences revenues increased by **1%** on a reported basis; underlying revenues increased by **6%** despite significant budget pressures in the principal Healthcare markets.
- Seals revenues increased by **22%** on a reported basis, benefitting from acquisitions of Kubo, Swan Seals and WCIS completed during the past year; underlying revenues remained unchanged against a strong comparative.
- Controls revenues increased by **2%** on a reported basis, benefitting from the acquisitions of Cablecraft and Ascome; underlying revenues decreased by **1%** reflecting ongoing weakness in UK Industrial markets.
- Acquisitions of WCIS in Australia, Cablecraft in the UK and Ascome in France extends the scope of the Seals and Controls businesses respectively, opening up attractive new growth opportunities.

**Commenting on the results for the period, Bruce Thompson, Diploma's Chief Executive said:**

**"The Group has delivered further robust growth in the first half of the year, despite the weaker macro-economic backdrop and the adverse impact of foreign exchange, with acquired businesses adding 9% to Group revenues.**

**These results reinforce the resilience of the Group's proven business model which aims to deliver "GDP plus" organic revenue growth, with value-creating acquisitions accelerating the growth to the target double-digit level. Last year was a record year for acquisitions and we have continued this momentum into the first half of this year with acquisition spend of ca. £30m.**

**With challenging trading conditions likely to persist through the second half of the year, we will continue to take advantage of our strong financial position to target further acquisition opportunities to support future growth and deliver shareholder value."**

*Note:*

- 1. Diploma PLC uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include adjusted operating profit, adjusted profit before tax, adjusted earnings per share, free cash flow and ROATCE. All references in this Announcement to "underlying" revenues or operating profits refer to reported results on a constant currency basis and before any contribution from acquired businesses. The narrative in this Announcement is based on these alternative measures and an explanation is set out in note 2 to the consolidated financial statements in this Announcement.*
- 2. Certain statements contained in this Announcement constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Diploma PLC, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include, among others, exchange rates, general economic conditions and the business environment.*

There will be a presentation of the results to analysts and investors at 9.00am this morning at Pwterers' Hall, Oat Lane, City of London, EC2V 7DE. This presentation will be made available as a webcast from 2.00pm GMT via [www.diplomaplc.com](http://www.diplomaplc.com)

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## NOTE TO EDITORS:

**Diploma PLC** is an international group of businesses supplying specialised technical products and services to the Life Sciences, Seals and Controls industries.

Diploma's businesses are focussed on supplying *essential products* and services which are funded by the customers' operating rather than their capital budgets, providing recurring income and stable revenue growth.

Our businesses then design their individual business models to closely meet the requirements of their customers, offering a blend of high quality customer service, deep technical support and value adding activities. By supplying *essential solutions*, not just products, we build strong long term relationships with our customers and suppliers, which support attractive and sustainable margins.

Finally we encourage an entrepreneurial culture in our businesses through our decentralised management structure. We want our managers to feel that they have the freedom to run their own businesses, while being able to draw on the support and resources of a larger group. These *essential values* ensure that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment.

The Group employs ca. 1,500 employees and its principal operating businesses are located in the UK, Northern Europe, North America and Australia.

Over the last five years, the Group has grown adjusted earnings per share at an average of ca. **20%** p.a. through a combination of organic growth and acquisitions. Diploma is a member of the FTSE 250 with a market capitalisation of ca. **£850m**.

*Further information on Diploma PLC can be found at [www.diplomaplc.com](http://www.diplomaplc.com)*

## HALF YEAR REVIEW TO 31 MARCH 2016

The Group's revenues for the six months ended 31 March 2016 increased by 10% over the prior year comparable period, having benefited from the good contributions made from businesses acquired during the past year. The acquired businesses have contributed 9% to Group revenues, but currency movements have reduced revenues by 1%, despite the weakening of UK sterling since the beginning of the calendar year. On an underlying basis, after adjusting for acquisitions and for currency effects on translation, Group revenues increased by 2%.

In Life Sciences, underlying revenues increased by 6%, with stronger capital equipment sales in certain businesses against weak comparatives. Reported revenues in Life Sciences increased by 1% due to the continuing impact of currency movements on translation of the results of the Healthcare businesses. In Seals, reported revenues were 22% ahead of last half year, reflecting the contribution from the businesses acquired during the past year. On an underlying basis, revenues were unchanged against the strong prior year comparable. In Controls, reported revenues increased by 2%, helped by strong growth in the Specialty Fastener business and with a good initial contribution from the recent Cablecraft acquisition. The Interconnect and Fluid Controls businesses are beginning to stabilise and on an underlying basis, Controls revenues decreased by 1%.

Acquisitions remain an integral part of the Group's growth strategy and the improving environment experienced last year has continued into the first half of the current year. During the six months ended 31 March 2016, the Group has invested £30.2m on acquiring businesses, principally the acquisitions of WCIS in October 2015 and Cablecraft in March 2016. Since January 2014, the Group has invested over £80m in acquiring new businesses which in aggregate will now be contributing over 20% to the Group's annualised revenue.

As anticipated, operating margins reduced by 90bps to 17.2%, compared with 18.1% in the prior year comparable period. This reduction was driven principally by the impact on Healthcare margins from further significant depreciation of the Canadian and Australian dollars against the US dollar through 2015. Since January 2016, there are signs that both the Canadian and Australian currencies may have stabilised at more favourable levels; the foreign exchange transactional impact on gross margins in the second half of the year should therefore be modest compared with the first half year.

Group operating margins have also been impacted by the initial lower operating margins in businesses acquired since January 2014 and the investments made within these businesses. This impact has been more than offset by operating leverage in the businesses and Sector mix.

## RESULTS AND DIVIDENDS

In the six months ended 31 March 2016, Group revenue increased by 10% to £179.1m (2015: £163.2m). Adjusted operating profit increased by 4% to £30.8m (2015: £29.6m) and adjusted operating margins were 17.2% (2015: 18.1%). After adjusting for the incremental contribution from acquisitions and for translational currency effects, underlying revenues increased by 2%.

Adjusted profit before tax increased by 4% to £30.4m (2015: £29.3m) and adjusted earnings per share increased by 5% to 19.5p (2015: 18.6p), benefitting from a slightly lower tax rate. On a reported basis, profit before tax was £25.6m (2015: £26.0m) and basic earnings per share were 16.0p (2015: 16.2p).

The cash flow from operations in the period increased by 30% to £31.8m (2015: £24.4m) after an investment in working capital of £1.0m (2015: £6.8m). The Group's free cash flow for the period increased by £10.6m to £23.0m (2015: £12.4m) due to the lower investment in working capital and proceeds of £2.3m from the sale of legacy properties. At 31 March 2016, the Group had net debt of £17.8m.

The Group continues to follow a progressive dividend policy, which targets dividend cover towards two times on an adjusted EPS basis. The Directors have declared an increased interim dividend up 7% to 6.2p per share (2015: 5.8p), reflecting the Board's confidence in the Group's growth prospects. The dividend will be payable on 15 June 2016 to shareholders on the register on 27 May 2016.

## OPERATING REVIEW

### Life Sciences

The Life Sciences businesses are suppliers of consumables, instrumentation and related services to the healthcare and environmental industries.

	Half Year		
	2016	2015	
Revenue	<b>£52.5m</b>	£52.0m	+1%
Adjusted operating profit	<b>£9.3m</b>	£10.3m	-10%
Adjusted operating margin	<b>17.7%</b>	19.8%	

On an underlying basis, after adjusting for currency and acquisitions, Life Sciences revenues increased by 6% over the prior year comparable period. Reported revenues increased by 1% due to the continued weakness of the Canadian and Australian dollars, which reduced revenues by 5% on translation.

Adjusted operating margins reduced by 210bps as gross margins in the Healthcare businesses continued to be impacted on a transactional basis by further depreciation of the Canadian and Australian dollar relative to the US dollar, particularly in the second half of 2015. Local management has continued to work closely with suppliers and customers to obtain pricing support, but the opportunity to mitigate the transactional foreign exchange impact on gross margins through operating cost management is reducing.

The DHG group of **Healthcare** businesses, which account for ca. 85% of Life Sciences revenues, increased underlying revenues by 6% in constant currency terms. In Canada, DHG revenues increased by 4% despite the significant budget pressures throughout the Provincial healthcare systems driven by the tough economic environment. Good growth in revenues in the surgical products businesses, AMT and Vantage, more than offset reduced revenues in the Somagen clinical diagnostics business.

AMT continued to face pricing pressures in its core electrosurgery business from the tender and evaluation processes introduced by Provincial shared services organisations and cross-Province group purchasing organisations. However, the constrained growth in revenues from smoke evacuation products and electrosurgical accessories has been offset by good growth in the supply of specialised surgical instruments and devices used in laparoscopic and other minimally invasive surgical procedures. In particular, strong growth has been achieved with products sourced from new suppliers which have been added in recent years and which have extended AMT into new surgical product segments. Vantage delivered good double digit growth across its consumable product lines including argon plasma probes, reprocessor chemicals and other GI endoscopy accessories, including specialist retrieval devices. Results were also boosted by strong growth in revenues across all of Vantage's core capital equipment product lines and in new cost per procedure deals for endoscope placements; this strong performance was against a weak prior year comparative which was constrained last year by delayed budget approvals.

Somagen's core clinical diagnostics business continues to be impacted by the freeze in capital spending in Quebec while the Province completes both the creation of integrated Health Centres under its "Bill 10" legislation and the Optilab reorganisation program which is designed to achieve cost savings and efficiencies within Quebec public medical laboratories. Growth has also been impacted by the introduction of stricter patient testing criteria in Alberta's colorectal screening program thus constraining the number of patient tests. To counter these

headwinds, Somagen has generated good revenue growth from its successful a1c diabetes testing program and has continued to invest in new product introductions designed to extend Somagen's business into new growth segments.

The Australian Healthcare sector has experienced similar economic and budget pressures to Canada, but even against this background, the BGS and DSL businesses have increased revenues by 13% in local currency terms. BGS continued to grow surgical product revenues strongly, with smoke evacuation programmes in existing and new accounts continuing to provide the main driver for growth. There was also a steady sales performance in electrosurgical grounding pads, laparoscopic electrodes and the enzymatic products acquired from Chemzyme. In the DSL clinical diagnostic products business, the solid growth in revenues has been driven by capital equipment sales, in particular of capillary electrophoresis instruments used in testing for multiple myelomas and diabetes. Consumable product sales were broadly flat, reflecting softer prior year capital equipment sales from which consumable product demand is derived.

The TPD business was acquired at the beginning of the prior financial year and is an established supplier to the Biotechnology, Clinical Laboratory and Medical markets in Ireland and the UK. TPD has performed very well since acquisition, posting double digit revenue growth in its first full year with the Group and continuing this strong growth into the new financial year. In January 2016, TPD consolidated and relocated its operations into an adjacent leased building, which had been refurbished and fitted out to meet TPD's requirements at a total cost of £0.6m. This new facility consolidates a number of fragmented, less efficient operations into a single facility and provides significant capacity to support DHG's growth ambitions in Europe.

The a1-group of **Environmental** businesses in Europe, which account for ca. 15% of Sector revenues, saw revenues increase by 3% in UK sterling terms. The a1-envirosciences business revenues increased by 18% in Euro terms with strong sales of high end elemental and trace analysers supplied to petrochemical industry customers and environmental laboratories; sales of containment enclosures for the safe weighing of hazardous materials also delivered strong growth. In the a1-CBISS business, revenues decreased by 8% in UK sterling terms with stable revenues from long term service contracts, but reductions in revenues from continuous emissions monitoring systems (CEMS) and gas detection products. The sector remains buoyant with new Biomass and Energy from Waste (EFW) plants an important part of the UK's energy portfolio, but competition is increasing in new sites controlled by major EPC contractors. a1-CBISS is responding by focusing on replacement systems and owner-operator sites where its specialist knowledge and customised software solutions give competitive advantage.

## Seals

The Seals businesses are suppliers of seals, gaskets, filters, cylinders, components and kits for heavy mobile machinery and industrial equipment.

	Half Year		
	2016	2015	
Revenue	<b>£79.2m</b>	£64.8m	+22%
Adjusted operating profit	<b>£13.4m</b>	£12.0m	+12%
Adjusted operating margin	<b>16.9%</b>	18.5%	

Reported revenues increased by 22% over the prior comparable period. The Seals acquisitions completed during last year (Kubo and Swan Seals) along with an initial contribution from the WCIS acquisition (completed in October 2015), added 20% to Sector revenues. Currency movements (principally the stronger US dollar relative to UK sterling) contributed a further 2% to Sector revenues; on an underlying basis, after adjusting for currency and acquisitions, revenues were unchanged.

Adjusted operating margins in the Seals businesses decreased by 160bps to 16.9%, as the proportion of acquired businesses with lower initial operating margins increased to ca. 30% of Sector revenues.

The **North American Seals** businesses, which account for ca. 60% of Seals sector revenues, saw revenues decrease by 3% on a constant currency basis against strong prior year comparatives.

The HFPG Aftermarket businesses saw revenues decrease by 4%, with the core Hercules Bulldog seals and gaskets revenues broadly flat against strong comparatives, but with a substantial reduction in HKX attachment kit revenues in a depressed market for new excavators.

In the domestic US market, Hercules Bulldog revenues were broadly flat, but with a modest recovery in the repair sector in the second quarter. Specific growth initiatives are also gaining traction, including the participation in buying portals to sell seal kits to large rental fleets and contractors and the addition of new product lines including lifting slings and aftermarket cylinders for skid-steer equipment. Webstore revenues also continue to increase and in the first half accounted for ca. 20% of domestic US Aftermarket seal sales. Sales to smaller specialist sub-distributors increased in the first half, but this growth was offset by reduced sales to larger distribution customers who were actively looking to reduce inventories.

In Canada, Hercules revenues increased by 2% in local currency terms with improved market conditions in Canadian manufacturing, offsetting the decline in resource markets. Growth however slowed in the second quarter as orders reduced from hydraulic cylinder manufacturing customers. Revenues from international markets outside North America reduced by 1% with growth in Mexico and Asia Pacific markets more than offset by reductions in resource dependent markets in South and Central America.

The HKX attachment kit business experienced a significant reduction in revenues reflecting the depressed market for new excavators in the US and Canada. The increased percentage of factory installed kits continues to impede HKX's standard kit sales, but HKX continues to respond by marketing lower cost entry level kits which are upgradeable to provide a more complete range of capabilities.

The HFPG Industrial OEM businesses in North America (RT Dygert, All Seals and J Royal) saw revenues reduce by 1% against a background of generally slow industrial markets, still indirectly impacted by the weak Oil & Gas sector and with slowing growth in the Aerospace and Medical sectors. Sales to cylinder manufacturers reduced as their businesses were impacted by loss of business to offshore suppliers and sales to catalogue distributors reduced reflecting again the weaker industrial markets.

The businesses responded by reinforcing their strong position with their core industrial equipment customers, ensuring high levels of customer service in support of existing projects, as well as offering more specialised material and product specifications to secure new projects with higher added-value. In particular, the businesses looked for opportunities to deploy higher specification, regulatory-compliant compounds for the Pharmaceutical, Water and Food equipment industries and for fuel dispensing applications.

The **EMEA Seals** businesses, which now account for ca. 40% of Sector revenues, increased revenues by 4% on an underlying basis, after adjusting for currency effects and acquisitions.

The FPE Seals business has continued to make progress in developing a more substantial, broader-based Aftermarket Seals business in the EMEA region. From the beginning of the year, it has been fully operational from its new facility in Darlington in the UK, which now serves as the core operational hub for the further expansion of FPE Seals across the region. FPE Seals has also taken full responsibility for the sale of Bulldog branded seal and gasket products in international markets outside the Americas. FPE Seals revenues reduced in the half year due to the impact of delayed product shipments from the Bulldog operation following

its relocation to Tampa in September 2015; however, back orders have been substantially reduced going into the second half of the year.

Kentek continued to respond well to challenging economic conditions in its core markets of Russia and Finland, with pressures on the region's economy caused by lower global demand in the Oil & Gas and Mining sectors and from the negative impact of US and EU sanctions on Russia. Despite these challenges and further devaluation of the Russian Rouble, Kentek delivered strong double digit growth in revenues in Euro terms. In Finland, the new General Manager has given additional structure and impetus to the sales efforts and in Russia, Kentek has seen good increases in revenues from its newer sales offices as they establish their presence across the region. Kentek has also benefited from increased investment by the Russian government in the agricultural and general manufacturing sectors and has also won a number of tenders with key mining customers. During the period, Kentek introduced a new own-branded filter range which is now gaining traction.

M Seals delivered solid revenue growth in the half year in its core markets of Denmark and Sweden. The first quarter performance was held back by delayed orders from a number of key customers, but orders started to be released in the second quarter against several new projects with these customers. The growth in these core markets, was offset by reduced revenues from the M Seals operations in the UK, which have traditionally supplied to customers in the Oil & Gas sector. M Seals has responded by increasing sales efforts to specialised Industrial OEMs in other sectors.

Since its acquisition in March 2015, Kubo has faced a period of contraction in its core industrial market in Switzerland, following the decoupling of the Swiss Franc from the Euro in early 2015. Against the background of these challenging market conditions, Kubo has made progress in taking market share from competitors and on a like-for-like basis, including pre-acquisition revenues, Kubo revenues have remained broadly unchanged. Investment is being made in a new seal machining centre which will be installed in May 2016 and will enable Kubo to respond quickly to urgent customer requirements for specialised seals as well as replacing externally sourced products. Kubo has also benefited from its prior year investment in a custom gasket cutting machine in its Austrian operations; this has delivered improved responsiveness and service for maintenance and repair customers in process industries.

In October 2015, the Group completed the acquisition of WCIS, a supplier of gaskets, seals and associated products and services with operations in Australia and New Caledonia. WCIS has core capabilities in soft and metallic gaskets and mechanical seals, used in complex and arduous applications. WCIS is an important extension of the Group's EMEA Seals activities into the Australasia region. Since its acquisition, WCIS core customers in the Mining and Energy sectors have faced difficult market conditions and this has held back revenues as expected. However, progress has been made in broadening sales and marketing activities in Australia and reinforcing relationships with the key customer of WCIS in New Caledonia.

## Controls

The Controls businesses are suppliers of specialised wiring, connectors, fasteners and control devices for technically demanding applications.

	Half Year		
	2016	2015	
Revenue	<b>£47.4m</b>	£46.4m	+2%
Adjusted operating profit	<b>£8.1m</b>	£7.3m	+11%
Adjusted operating margin	<b>17.1%</b>	15.7%	

Reported revenues increased by 2% against the prior year comparable period. The acquisitions of Cablecraft and Ascome in this half year added 3% to Sector revenues and currency effects on translation were minimal. On an underlying basis, after adjusting for these acquisitions, underlying revenues decreased by 1%.



Adjusted operating margins have increased by 140bps to 17.1%. Gross margins have strengthened in the IS-Group and Specialty Fasteners businesses, while operating costs as a percentage of revenue have remained broadly stable across these businesses. The operating margins of the newly acquired Cablecraft business have also contributed to the improvement in the Sector average.

The **Interconnect** businesses account for ca. 75% of Sector revenues. These businesses supply high performance wiring, harness components, connectors and fasteners, used in technically demanding applications, often in harsh environments. In the half year, Interconnect revenues increased by 3% in UK sterling terms; after adjusting for the Cablecraft and Ascome acquisitions and for currency effects, underlying revenues decreased by 1%.

The IS-Group UK businesses saw revenues reduce by 9% in UK sterling terms. Defence & Aerospace and Industrial markets in the UK continued to be challenging, with the most significant reductions being in sales to other distributors, both in the UK and particularly in Continental European markets. Energy revenues also showed a significant reduction against the prior year, partially driven by the cut-backs in the Oil & Gas industry which have impacted sales of harness components to sub-sea cable manufacturers and other Oil & Gas related markets. In response to these challenging conditions, sales resources have been realigned and further business development programmes introduced; these initiatives have produced a modestly improving trend in the second quarter that has continued into April. In the US, Motorsport sales were particularly buoyant and compensated for a small reduction in Industrial sales.

In Germany, IS-Sommer and Filcon reported a 4% increase in revenues in local Euro terms. IS-Sommer's sales in Industrial markets showed modest growth, benefiting from a relatively stable economic environment and strong business fundamentals. IS-Sommer also delivered good revenue growth in the Aerospace and Defence markets which compensated for a weaker performance in Motorsport. In the Energy sector, IS-Sommer's principal involvement is in the supply of products used in the repair and maintenance of the low and medium-voltage Electricity network; these sales have held up well, as 2016 is an assessment year for the German power network which typically triggers a cyclical round of investments.

Filcon delivered a strong performance in the half year, driven by increased sales to the Motorsport and Space industries. Increased activity is also being seen in the Defence and Military Aerospace sector, where there is growing pressure on Germany to upgrade its military capabilities. The increased sales activity has not yet translated into orders, but prospects for the second half are more encouraging. In February 2016, Filcon completed the acquisition of Ascome, a small distributor of specialist connectors into the Defence and Industrial markets in France. This acquisition gives critical mass to Filcon's operations in France, provides credible access to the Defence sector and gives access to new products and suppliers.

The Specialty Fasteners business (Clarendon and SFC) increased revenues by 12% over the prior year comparable period. Last year, Clarendon's deliveries to its key aircraft seating customer were held back by programme changes, as well as from the implementation by Clarendon of a new lineside supply project which initially revealed surplus inventory at the customer. In this half year, revenues increased strongly as the customer increased production and deliveries of new inventory were resumed. Clarendon also had success increasing sales to other aircraft seating and cabin interiors manufacturers and sub-contractors across Europe. Motorsport revenues returned to more normal levels after the reduced development spend in the prior year and SFC continued to grow sales of fastening solutions to a range of Industrial and Defence customers.

In March 2016, the Group completed the acquisition of Cablecraft, a leading supplier of cable accessory products which are used to identify, connect, secure and protect electrical cables; own-branded and manufactured products account for ca. 80% of revenues. The Cablecraft business supplies to wholesalers, distributors and end-users in a range of industries including Electrical contracting, Control panels, Rail & signalling and Energy & Utilities. The acquisition

of Cablecraft broadens the product range of the Controls businesses and the industrial markets that it serves open up opportunities for cross-selling.

The Hawco Group of **Fluid Controls** businesses accounts for ca. 25% of Controls sector revenues and supply temperature, pressure and fluid control products, with a high proportion of its products being supplied to the Food and Beverage industry. Hawco Group revenues were flat in UK sterling terms against the prior year comparable period.

Hawco continues to face challenging market conditions in its core Refrigeration equipment and Industrial OEM markets in the UK and is responding by adding new product lines and extending into export markets, including Turkey and Germany. Hawco saw an upturn in sales to air conditioning and refrigeration contractors, serviced increasingly through the company's website and through independent trade counter partners; sourcing and fulfilment contracts are also being established with major contracting groups.

Abbeychart continued to achieve growth in revenues in its core coffee segment, where the company is offering a broad portfolio of essential parts to service the broad range of espresso type machines being installed in an increasing number of outlets, as customers reposition themselves from vending companies to coffee specialists. In the water segment, revenues reduced as plumbed water dispensers continue to lose share against individual bottled water. To offset this decline, Abbeychart has focussed growth initiatives in the craft brewing and export markets.

## **FINANCE**

### **Free cash flow**

The Group generated strong free cash flow of £23.0m (2015: £12.4m) during the half year, maintaining tight control over working capital in response to the more difficult trading environment and helped by an incremental £2.3m of proceeds from the sale of surplus legacy properties.

Operating cash flow increased by 30% to £31.8m (2015: £24.4m), benefitting from a much lower investment in working capital of £1.0m, compared with an investment of £6.8m in the comparable period. A small seasonal increase in receivables and inventories was largely offset by increased payables at the period end. However despite this lower cash outflow into working capital, the Group's metric of working capital to revenue was 18.0%, compared with 17.0% at 30 September 2015, when working capital is generally at its lowest point. Further reductions in working capital, relative to trailing revenues, will be targeted in the second half of the year which should bring this metric back to the longer term average of ca. 17%.

Tax payments in the first half of the year increased to £8.7m (2015: £7.3m), including £0.3m of tax payments relating to pre-acquisition tax liabilities of those businesses acquired during the period. On an underlying basis, the cash tax rate increased to ca. 27% (2015: ca. 25%) reflecting a much lower benefit in the UK from tax relief on the exercise of outstanding LTIP awards in 2015. The Company's contribution to the Diploma Employee Benefit Trust in connection with outstanding LTIP awards reduced to £0.3m compared with £1.7m in the comparable period.

Capital expenditure of £1.6m (2015: £1.7m) included £0.5m in Life Sciences on completing the refurbishment of the TPD leasehold facility in Ireland which has now provided TPD with their own independent and lower cost facility; a further £0.4m was spent on acquiring field equipment in support of customer contracts at hospitals and £0.2m was incurred on upgrading office and IT facilities in the Canadian Healthcare businesses. In Seals, a new seal cutting machine was acquired by FPE Seals for their Darlington facility for £0.2m and £0.3m was invested on new warehouse machinery in WCIS, Australia and on IT infrastructure in the US seals businesses.

In addition to this expenditure, an initial amount of £0.2m was spent on financing the construction of a new warehouse and office facilities for J Royal, a Seals business based in

North Carolina in the United States. This facility is due to be completed in January 2017 at a cost of ca. £2.0m and it is intended that this facility will then be sold and leased back to J Royal. A similar project was completed last year in the UK for FPE Seals, of which £1.1m had been spent on construction in the comparable period.

### **Net debt**

At 31 March 2016, the Group had net debt of £17.8m, comprising borrowings of £40.0m offset by cash balances of £22.2m, compared with net cash of £3.0m at 30 September 2015. The reduction in net cash funds of £20.8m was after spending £30.2m (2015: £35.0m) on acquisitions and £14.4m (2015: £13.3m) on dividends paid to ordinary and minority shareholders.

Acquisition expenditure of £30.2m comprised £29.5m on acquiring new businesses and £0.7m on deferred consideration, as described further in notes 10 and 11 to the financial statements.

These acquisitions were funded out of existing cash resources and from the utilisation of the Group's existing committed revolving bank facility. In March 2016, the Group exercised its accordion option again to increase this bank facility from £40m to a maximum of £50m to assist with funding the acquisition of Cablecraft.

On the basis of current financial projections and after considering sensitivities, the Directors are confident that the Group has sufficient resources to fund its operations for the foreseeable future. The condensed set of consolidated financial statements has therefore been prepared on a going concern basis.

### **Exchange rates**

A significant proportion of the Group's revenues (ca. 75%) are derived from businesses located outside the UK, principally in the US, Canada, Australia and Northern Europe. During the first quarter of the financial year, UK sterling was stronger against most of the major currencies in which the Group operates (other than the US dollar) compared with last year. This more than offset the impact from the weakening of UK sterling since January 2016. As a result, the impact on the Group of translating the results of the Group's overseas businesses into UK sterling has been to reduce Group revenues by £1.3m and Group adjusted operating profit by £0.2m, compared with the same period last year.

As previously reported, a large proportion of the Healthcare businesses, which account for ca. 25% of Group revenues, are impacted by exchange rate movements in the Canadian and Australian dollars, relative to the currencies in which these businesses purchase their products, primarily US dollars and Euros. The substantial depreciation in the exchange rate of these two currencies which began in late 2013, continued throughout the past two years before peaking in mid January 2016. The ability of these businesses to mitigate this transactional impact on gross margins through a combination of foreign currency hedges, supplier cost reductions and tight control over operating costs becomes more limited over time. Accordingly in the period ended 31 March 2016, there was ca. 400bps reduction in the gross margins of the Healthcare businesses, compared with the comparable period arising from further currency depreciation.

Transactional currency exposures in the rest of the Group's businesses have generally been mitigated by currency hedging contracts and therefore have not materially impacted the reported results in this period.

## **RISKS AND UNCERTAINTIES**

The principal risks and uncertainties which may have the largest impact on performance in the second half of the year are the same as those described in detail in pages 35-37 of the 2015 Annual Report & Accounts. In summary these are:

- Strategic risks – a downturn in major markets, loss of key suppliers and/or major customers and supplier strategy change;
- Operational risks – product liability and loss of key personnel; and
- Financial risks – foreign currency risk and inventory obsolescence.

The Directors consider that the principal risks and uncertainties have not changed since the publication of the 2015 Annual Report & Accounts and that they remain relevant for the second half of the financial year. In particular, since a large proportion of the Group's revenue and profits are generated overseas, movements in the foreign exchange rates of these territories remain a principal risk to financial performance.

The Directors have also considered the potential impact on the Group's businesses from a UK vote in June 2016 to leave the European Community ("Brexit") and do not believe that this would materially impact the Group's outlook or viability.

## **CURRENT TRADING AND OUTLOOK**

The Group has delivered further robust growth in the first half of the year, despite the weaker macro-economic backdrop and the adverse impact of foreign exchange, with acquired businesses adding 9% to Group revenues.

These results reinforce the resilience of the Group's proven business model which aims to deliver "GDP plus" organic revenue growth, with value-creating acquisitions accelerating the growth to the target double-digit level. Last year was a record year for acquisitions and we have continued this momentum into the first half of this year with acquisition spend of ca. £30m.

With challenging trading conditions likely to persist through the second half of the year, we will continue to take advantage of our strong financial position to target further acquisition opportunities to support future growth and deliver shareholder value.

### **BM Thompson**

Chief Executive Officer  
16 May 2016

## **Responsibility Statement of the Directors in respect of the Half Year Report 2016**

We confirm that to the best of our knowledge:

- the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU; and
- the Half Year Report includes a fair review of the information required by:
  - a) DTR4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report & Accounts that could do so.

The Directors of Diploma PLC and their respective responsibilities are listed in the Annual Report & Accounts for 2015 and on the Company’s website at [www.diplomaplc.com](http://www.diplomaplc.com).

### **By Order of the Board**

**BM Thompson**  
Chief Executive Officer  
16 May 2016

**NP Lingwood**  
Group Finance Director  
16 May 2016

## Condensed Consolidated Income Statement

For the six months ended 31 March 2016

	Note	Unaudited 31 March 2016 £m	Unaudited 31 March 2015 £m	Audited 30 Sept 2015 £m
<b>Revenue</b>	3	<b>179.1</b>	163.2	333.8
Cost of sales		<b>(114.4)</b>	(103.9)	(212.8)
<b>Gross profit</b>		<b>64.7</b>	59.3	121.0
Distribution costs		<b>(4.0)</b>	(3.5)	(6.8)
Administration costs		<b>(34.7)</b>	(29.9)	(61.3)
<b>Operating profit</b>	3	<b>26.0</b>	25.9	52.9
Gain on sale of properties	3	<b>0.3</b>	-	-
Financial (expense)/income, net	4	<b>(0.7)</b>	0.1	(1.1)
<b>Profit before tax</b>		<b>25.6</b>	26.0	51.8
Tax expense	5	<b>(7.1)</b>	(7.3)	(14.4)
<b>Profit for the period</b>		<b>18.5</b>	18.7	37.4
Attributable to:				
Shareholders of the Company		<b>18.1</b>	18.3	36.7
Minority interests		<b>0.4</b>	0.4	0.7
		<b>18.5</b>	18.7	37.4
<b>Earnings per share</b>				
Basic and diluted earnings	6	<b>16.0p</b>	16.2p	32.5p

<b>Alternative Performance Measures (note 2)</b>	Note	<b>31 March 2016 £m</b>	31 March 2015 £m	30 Sept 2015 £m
Operating profit		<b>26.0</b>	25.9	52.9
Add: Acquisition related charges	9	<b>4.8</b>	3.7	7.4
<b>Adjusted operating profit</b>	3	<b>30.8</b>	29.6	60.3
Deduct: Net interest expense	4	<b>(0.4)</b>	(0.3)	(0.7)
<b>Adjusted profit before tax</b>		<b>30.4</b>	29.3	59.6
<b>Adjusted earnings per share</b>	6	<b>19.5p</b>	18.6p	38.2p

## Condensed Consolidated Statement of Income and Other Comprehensive Income

For the six months ended 31 March 2016

	Unaudited 31 March 2016 £m	Unaudited 31 March 2015 £m	Audited 30 Sept 2015 £m
<b>Profit for the period</b>	<b>18.5</b>	18.7	37.4
<b>Items that will not be reclassified to the Consolidated Income Statement</b>			
Actuarial losses in the defined benefit pension scheme	-	-	(1.9)
Deferred tax on items that will not be reclassified	-	-	0.4
	-	-	(1.5)
<b>Items that may be reclassified to the Consolidated Income Statement</b>			
Exchange rate gains/(losses) on foreign currency net investments	<b>13.6</b>	(2.1)	(8.2)
(Losses)/gains on fair value of cash flow hedges	<b>(1.1)</b>	1.6	1.5
Net changes to fair value of cash flow hedges transferred to the Consolidated Income Statement	-	-	(0.3)
Deferred tax on items that may be reclassified	<b>0.3</b>	(0.4)	(0.3)
	<b>12.8</b>	(0.9)	(7.3)
<b>Total Comprehensive Income for the period</b>	<b>31.3</b>	17.8	28.6
Attributable to:			
Shareholders of the Company	<b>30.6</b>	17.8	28.1
Minority interests	<b>0.7</b>	-	0.5
	<b>31.3</b>	17.8	28.6

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 March 2016

	Share capital	Transl. reserve	Hedging reserve	Retained earnings	Share-holders' equity	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m
<b>At 1 October 2014</b>	5.7	7.5	0.3	170.9	<b>184.4</b>	2.9	<b>187.3</b>
Total comprehensive income	-	(2.1)	1.2	18.7	<b>17.8</b>	-	<b>17.8</b>
Share-based payments	-	-	-	0.4	<b>0.4</b>	-	<b>0.4</b>
Acquisition of businesses	-	-	-	-	-	3.2	<b>3.2</b>
Minority interest put option	-	-	-	(3.2)	<b>(3.2)</b>	-	<b>(3.2)</b>
Minority interest acquired	-	-	-	1.2	<b>1.2</b>	(1.2)	-
Tax on items recognised directly in equity	-	-	-	-	-	-	-
Notional purchase of own shares	-	-	-	(1.7)	<b>(1.7)</b>	-	<b>(1.7)</b>
Dividends	-	-	-	(13.1)	<b>(13.1)</b>	(0.2)	<b>(13.3)</b>
<b>At 31 March 2015 (unaudited)</b>	5.7	5.4	1.5	173.2	<b>185.8</b>	4.7	<b>190.5</b>
Total comprehensive income	-	(5.9)	(0.3)	16.5	<b>10.3</b>	0.5	<b>10.8</b>
Share-based payments	-	-	-	0.1	<b>0.1</b>	-	<b>0.1</b>
Tax on items recognised directly in equity	-	-	-	-	-	-	-
Notional purchase of own shares	-	-	-	-	-	-	-
Dividends	-	-	-	(6.6)	<b>(6.6)</b>	-	<b>(6.6)</b>
<b>At 30 September 2015</b>	5.7	(0.5)	1.2	183.2	<b>189.6</b>	5.2	<b>194.8</b>
Total comprehensive income	-	13.3	(0.8)	18.1	<b>30.6</b>	0.7	<b>31.3</b>
Share-based payments	-	-	-	0.2	<b>0.2</b>	-	<b>0.2</b>
Tax on items recognised directly in equity	-	-	-	-	-	-	-
Notional purchase of own shares	-	-	-	(0.3)	<b>(0.3)</b>	-	<b>(0.3)</b>
Dividends	-	-	-	(14.0)	<b>(14.0)</b>	(0.4)	<b>(14.4)</b>
<b>At 31 March 2016 (unaudited)</b>	<b>5.7</b>	<b>12.8</b>	<b>0.4</b>	<b>187.2</b>	<b>206.1</b>	<b>5.5</b>	<b>211.6</b>



## Condensed Consolidated Statement of Financial Position

As at 31 March 2016

	Note	Unaudited 31 March 2016 £m	Unaudited 31 March 2015 £m	Audited 30 Sept 2015 £m
<b>Non-current assets</b>				
Goodwill	9	109.2	91.3	89.3
Acquisition intangible assets	9	58.4	43.1	40.2
Other intangible assets		1.1	0.8	1.2
Investment		0.7	0.7	0.7
Property, plant and equipment		22.9	22.7	22.8
Deferred tax assets		0.5	1.4	0.4
		<b>192.8</b>	160.0	154.6
<b>Current assets</b>				
Inventories		64.5	62.7	56.6
Asset in course of construction	3	0.2	1.1	-
Trade and other receivables		59.1	55.5	51.3
Cash and cash equivalents	8	22.2	18.6	23.0
		<b>146.0</b>	137.9	130.9
<b>Current liabilities</b>				
Trade and other payables		(53.1)	(48.7)	(45.1)
Current tax liabilities		(3.2)	(4.3)	(2.9)
Other liabilities	11	(2.3)	(1.0)	(2.5)
		<b>(58.6)</b>	(54.0)	(50.5)
<b>Net current assets</b>		<b>87.4</b>	83.9	80.4
<b>Total assets less current liabilities</b>		<b>280.2</b>	243.9	235.0
<b>Non-current liabilities</b>				
Borrowings	8	(40.0)	(33.5)	(20.0)
Retirement benefit obligations		(10.0)	(8.1)	(9.8)
Other liabilities	11	(8.3)	(5.1)	(4.1)
Deferred tax liabilities		(10.3)	(6.7)	(6.3)
<b>Net assets</b>		<b>211.6</b>	190.5	194.8
<b>Equity</b>				
Share capital		5.7	5.7	5.7
Translation reserve		12.8	5.4	(0.5)
Hedging reserve		0.4	1.5	1.2
Retained earnings		187.2	173.2	183.2
<b>Total shareholders' equity</b>		<b>206.1</b>	185.8	189.6
Minority interests		5.5	4.7	5.2
<b>Total equity</b>		<b>211.6</b>	190.5	194.8

## Condensed Consolidated Cash Flow Statement

For the six months ended 31 March 2016

	Note	Unaudited 31 March 2016 £m	Unaudited 31 March 2015 £m	Audited 30 Sept 2015 £m
<b>Operating profit</b>		<b>26.0</b>	25.9	52.9
Acquisition related charges	7	<b>4.8</b>	3.7	7.4
Non-cash items	7	<b>2.0</b>	1.6	3.7
Increase in working capital	7	<b>(1.0)</b>	(6.8)	(1.9)
<b>Cash flow from operating activities</b>		<b>31.8</b>	24.4	62.1
Interest paid, net		<b>(0.3)</b>	(0.2)	(0.5)
Tax paid		<b>(8.7)</b>	(7.3)	(15.4)
<b>Net cash from operating activities</b>		<b>22.8</b>	16.9	46.2
<b>Cash flow from investing activities</b>				
Acquisition of businesses (including expenses)	10	<b>(29.5)</b>	(34.1)	(36.6)
Deferred consideration paid	11	<b>(0.7)</b>	(0.3)	(0.6)
Purchase of property, plant and equipment		<b>(1.5)</b>	(1.5)	(4.0)
Assets in course of construction		<b>(0.2)</b>	(1.1)	-
Purchase of other intangible assets		<b>(0.1)</b>	(0.2)	(0.3)
Proceeds from sale of property, plant and equipment		<b>2.3</b>	-	0.1
<b>Net cash used in investing activities</b>		<b>(29.7)</b>	(37.2)	(41.4)
<b>Cash flow from financing activities</b>				
Acquisition of minority interests	11	-	(0.6)	(0.6)
Dividends paid to shareholders	12	<b>(14.0)</b>	(13.1)	(19.7)
Dividends paid to minority interests		<b>(0.4)</b>	(0.2)	(0.2)
Purchase of own shares by Employee Benefit Trust		-	(0.7)	(0.7)
Notional purchase of own shares on exercise of share options		<b>(0.3)</b>	(1.0)	(1.0)
Proceeds of borrowings, net	8	<b>20.0</b>	33.5	20.0
<b>Net cash generated/(used) in financing activities</b>		<b>5.3</b>	17.9	(2.2)
<b>Net (decrease)/increase in cash and cash equivalents</b>	8	<b>(1.6)</b>	(2.4)	2.6
Cash and cash equivalents at beginning of period		<b>23.0</b>	21.3	21.3
Effect of exchange rates on cash and cash equivalents		<b>0.8</b>	(0.3)	(0.9)
<b>Cash and cash equivalents at end of period</b>		<b>22.2</b>	18.6	23.0

<b>Alternative Performance Measures (note 2)</b>	<b>31 March 2016 £m</b>	31 March 2015 £m	30 Sept 2015 £m
Net (decrease)/increase in cash and cash equivalents	<b>(1.6)</b>	(2.4)	2.6
Add: Dividends paid to shareholders	<b>14.0</b>	13.1	19.7
Dividends paid to minority interests	<b>0.4</b>	0.2	0.2
Acquisition of businesses and minority interests	<b>29.5</b>	34.7	37.2
Deferred consideration paid	<b>0.7</b>	0.3	0.6
Less: Proceeds of borrowings, net	<b>(20.0)</b>	(33.5)	(20.0)
<b>Free cash flow</b>	<b>23.0</b>	12.4	40.3
Cash and cash equivalents	<b>22.2</b>	18.6	23.0
Borrowings	<b>(40.0)</b>	(33.5)	(20.0)
<b>Net (debt)/cash</b>	<b>(17.8)</b>	(14.9)	3.0

# Notes to the Condensed Consolidated Financial Statements

## For the six months ended 31 March 2016

### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Diploma PLC (the "Company") is a company registered and domiciled in England and Wales. The condensed set of consolidated financial statements (the "financial statements") for the six months ended 31 March 2016 comprises the Company and its subsidiaries (together referred to as the "Group").

The comparative figures for the financial year ended 30 September 2015 are not the Group's statutory accounts for that financial year within the meaning of section 434 of the Companies Act 2006. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The figures for the six months ended 31 March 2015 were extracted from the 2015 Half Year Report, which was unaudited.

The Group's audited consolidated financial statements for the year ended 30 September 2015 are available on the Company's website ([www.diplomaplc.com](http://www.diplomaplc.com)) or upon request from the Company's registered office at Diploma PLC, 12 Charterhouse Square, London, EC1M 6AX.

#### 1.1 Statement of compliance

The financial statements included in this Half Year Announcement for the six months ended 31 March 2016 have been prepared on a going concern basis and in accordance with *IAS 34, Interim Financial Reporting* as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority. The financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended 30 September 2015.

The Half Year financial statements were approved by the Board of Directors on 16 May 2016; they have not been audited by the Company's auditor.

#### 1.2 Significant accounting policies

The accounting policies applied by the Group in this set of financial statements are the same as those applied by the Group in its audited consolidated financial statements for the year ended 30 September 2015, except for the amount included in the Half Year Report in respect of taxation which has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. In the audited consolidated financial statements for the full year, the taxation balances are based on draft tax computations prepared for each business within the Group. No new standards, amendments or interpretations have had a material impact on the Group's reported results or financial position.

#### 1.3 Estimates and judgements

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The estimates and judgements made by management in applying the Group's accounting policies and the key sources of uncertainty that have the most significant effect on the amounts included within these financial statements, were the same as those that applied to the Group's audited consolidated financial statements for the year ended 30 September 2015. These are set out on page 95 of the 2015 Annual Report & Accounts.

## **Notes to the Condensed Consolidated Financial Statements (continued)**

### **For the six months ended 31 March 2016**

#### **2. ALTERNATIVE PERFORMANCE MEASURES**

The Group uses a number of alternative (non-Generally Accepted Accounting Practice ("non-GAAP")) financial measures which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and as such, these measures are important and should be considered alongside the IFRS measures. The following non-GAAP measures are referred to in this Half Year Announcement.

##### **2.1 Adjusted operating profit**

At the foot of the Condensed Consolidated Income Statement, "adjusted operating profit" is defined as operating profit before amortisation and impairment of acquisition intangible assets, acquisition expenses, adjustments to deferred consideration (collectively, "acquisition related charges"), the costs of a material restructuring or rationalisation of operations and the profit or loss relating to the sale of businesses or property. The Directors believe that adjusted operating profit is an important measure of the underlying operational performance of the Group.

##### **2.2 Adjusted profit before tax**

At the foot of the Condensed Consolidated Income Statement, "adjusted profit before tax" is separately disclosed, being defined as adjusted operating profit, after finance expenses (but before fair value remeasurements under IAS 39 in respect of future purchases of minority interests) and before tax. The Directors believe that adjusted profit before tax is an important measure of the underlying performance of the Group.

##### **2.3 Adjusted earnings per share**

"Adjusted earnings per share" ("EPS") is calculated as the total of adjusted profit before tax, less income tax costs, but excluding the tax impact on the items included in the calculation of adjusted profit and the tax effects of goodwill in overseas jurisdictions, less profit attributable to minority interests, divided by the weighted average number of ordinary shares in issue during the period. The Directors believe that adjusted EPS provides an important measure of the underlying earning capacity of the Group.

##### **2.4 Free cash flow**

At the foot of the Condensed Consolidated Cash Flow Statement, "free cash flow" is reported, being defined as net cash flow from operating activities, after net capital expenditure on fixed assets and including proceeds received from business disposals, but before expenditure on business combinations/investments and dividends paid to both minority shareholders and the Company's shareholders. The Directors believe that free cash flow gives an important measure of the cash flow of the Group, available for future investment or distribution to shareholders.

**Notes to the Condensed Consolidated Financial Statements (continued)**  
For the six months ended 31 March 2016

**3. BUSINESS SECTOR ANALYSIS**

Sector information is presented in this Half Year Announcement in respect of the Group's business Sectors, which is the primary basis of sector reporting. The business Sector reporting format reflects the Group's management and internal reporting structure. The geographic sector reporting represents results by origin. The Group's financial results have not, historically, been subject to significant seasonal trends. In the year ended 30 September 2015, the Group earned 49% of its annual revenues and 49% of its annual adjusted operating profits in the first six months of the year.

	Revenue			Adjusted operating profit			Operating profit		
	31 Mar 2016 £m	31 Mar 2015 £m	30 Sept 2015 £m	31 Mar 2016 £m	31 Mar 2015 £m	30 Sept 2015 £m	31 Mar 2016 £m	31 Mar 2015 £m	30 Sept 2015 £m
<b>By Sector</b>									
Life Sciences	52.5	52.0	103.1	9.3	10.3	21.0	7.9	8.6	17.9
Seals	79.2	64.8	139.6	13.4	12.0	24.8	10.9	10.4	21.2
Controls	47.4	46.4	91.1	8.1	7.3	14.5	7.2	6.9	13.8
	<b>179.1</b>	163.2	333.8	<b>30.8</b>	29.6	60.3	<b>26.0</b>	25.9	52.9
<b>By Geographic Area</b>									
United Kingdom	43.5	43.8	87.7	6.9	7.0	14.5			
Rest of Europe	49.7	34.5	77.1	7.3	5.7	11.7			
North America	85.9	84.9	169.0	16.6	16.9	34.1			
	<b>179.1</b>	163.2	333.8	<b>30.8</b>	29.6	60.3			

In the six months ended 31 March 2016 the newly acquired businesses of WCIS, Cablecraft and Ascome as described in Note 10, contributed £4.7m to revenue and £0.8m to adjusted operating profit; after acquisition related charges of £1.2m, the contribution to operating profit was a loss of £0.4m. The results of WCIS are included within the Seals Sector and Cablecraft and Ascome are included within the Controls Sector. Cablecraft is reported within the Geographic Area of the United Kingdom and WCIS and Ascome are reported within the Rest of Europe.

	Total assets			Total liabilities			Net assets		
	31 Mar 2016 £m	31 Mar 2015 £m	30 Sept 2015 £m	31 Mar 2016 £m	31 Mar 2015 £m	30 Sept 2015 £m	31 Mar 2016 £m	31 Mar 2015 £m	30 Sept 2015 £m
<b>By Sector</b>									
Life Sciences	97.3	95.4	89.3	(15.3)	(14.6)	(14.7)	82.0	80.8	74.6
Seals	132.1	119.9	115.7	(18.5)	(22.8)	(16.2)	113.6	97.1	99.5
Controls	84.7	56.7	52.6	(18.7)	(16.2)	(13.5)	66.0	40.5	39.1
Unallocated assets/(liabilities)	24.7	25.9	27.9	(74.7)	(53.8)	(46.3)	(50.0)	(27.9)	(18.4)
	<b>338.8</b>	297.9	285.5	<b>(127.2)</b>	(107.4)	(90.7)	<b>211.6</b>	190.5	194.8

Sector assets exclude cash and cash equivalents, deferred tax assets and corporate assets that cannot be allocated on a reasonable basis to a business sector. Sector liabilities exclude borrowings, retirement benefit obligations, deferred tax liabilities and corporate liabilities that cannot be allocated on a reasonable basis to a business sector. These items that cannot be allocated on a reasonable basis to a business sector are shown collectively as "unallocated assets/ (liabilities)".

**Notes to the Condensed Consolidated Financial Statements (continued)**  
For the six months ended 31 March 2016

**3. BUSINESS SECTOR ANALYSIS (continued)**

	Capital expenditure			Depreciation		
	31 Mar 2016 £m	31 Mar 2015 £m	30 Sept 2015 £m	31 Mar 2016 £m	31 Mar 2015 £m	30 Sept 2015 £m
<b>By Sector</b>						
Life Sciences	1.1	0.9	2.5	0.9	0.8	1.7
Seals	0.5	0.6	1.5	0.8	0.4	1.3
Controls	-	0.2	0.3	0.3	0.2	0.5
	<b>1.6</b>	<b>1.7</b>	<b>4.3</b>	<b>2.0</b>	<b>1.4</b>	<b>3.5</b>

During the period, £0.2m of capital expenditure was also incurred in connection with the construction of a new facility at J Royal in North Carolina, US, which is due to be completed in January 2017. In 2015, £1.1m was incurred in connection with constructing a new facility for FPE Seals in Darlington, UK which was completed in September 2015. This expenditure has been included in the Condensed Consolidated Statement of Financial Position as an "Asset in course of construction".

Properties with a net book value of £2.0m were disposed of by the Group during the six months ended 31 March 2016, resulting in a net gain on disposal of £0.3m (2015: Nil).

**4. FINANCIAL INCOME/(EXPENSE), NET**

	31 March 2016 £m	31 March 2015 £m	30 Sept 2015 £m
<b>Interest expense and similar charges</b>			
- bank facility and commitment fees	(0.1)	(0.1)	(0.2)
- interest payable on bank and other borrowings	(0.2)	(0.1)	(0.3)
- notional interest expense on the defined benefit pension schemes	(0.1)	(0.1)	(0.2)
<b>Interest expense and similar charges</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(0.7)</b>
- fair value remeasurement of put options (note 11)	(0.3)	0.4	(0.4)
<b>Financial (expense)/income, net</b>	<b>(0.7)</b>	<b>0.1</b>	<b>(1.1)</b>

**5. TAXATION**

	31 March 2016 £m	31 March 2015 £m	30 Sept 2015 £m
UK corporation tax	0.9	1.7	1.5
Overseas tax	6.2	5.6	12.9
<b>Total tax on profit for the period</b>	<b>7.1</b>	<b>7.3</b>	<b>14.4</b>

Taxation on profits before tax has been calculated by applying the Directors' best estimate of the annual rates of taxation to taxable profits for the period. The effective rate of taxation on profit before tax for the period decreased to 27.7% (2015: 28.1%). The Group's adjusted effective rate of tax on adjusted profit before tax decreased to 26.0% (2015: 27.0%) reflecting a larger contribution to profits before tax this period from the acquired businesses that are taxed at lower tax rates.

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the six months ended 31 March 2016**

**6. EARNINGS PER SHARE**

**Basic and diluted earnings per share**

Basic and diluted earnings per ordinary 5p share are calculated on the basis of the weighted average number of ordinary shares in issue during the period of 113,050,602 (2015: 112,995,991) and the profit for the period attributable to shareholders of £18.1m (2015: £18.3m). There were no potentially dilutive shares.

**Adjusted earnings per share**

Adjusted earnings per share, defined in note 2, are calculated as follows:

	<b>31 Mar 2016</b>	31 Mar 2015	30 Sept 2015	<b>31 Mar 2016</b>	31 Mar 2015	30 Sept 2015
	<b>pence per share</b>	pence per share	pence per share	<b>£m</b>	£m	£m
<b>Profit before tax</b>				<b>25.6</b>	26.0	51.8
Tax expense				<b>(7.1)</b>	(7.3)	(14.4)
Minority interests				<b>(0.4)</b>	(0.4)	(0.7)
<b>Earnings for the period attributable to shareholders of the Company</b>	<b>16.0</b>	16.2	32.5	<b>18.1</b>	18.3	36.7
Acquisition related charges	<b>4.2</b>	3.3	6.5	<b>4.8</b>	3.7	7.4
Fair value remeasurement of put options	<b>0.3</b>	(0.4)	0.4	<b>0.3</b>	(0.4)	0.4
Gain on sale of properties	<b>(0.3)</b>	-	-	<b>(0.3)</b>	-	-
Tax effects on acquisition related charges and fair value remeasurements	<b>(0.7)</b>	(0.5)	(1.2)	<b>(0.8)</b>	(0.6)	(1.3)
<b>Adjusted earnings</b>	<b>19.5</b>	18.6	38.2	<b>22.1</b>	21.0	43.2

**7. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES**

	<b>31 March 2016</b>	31 March 2015	30 Sept 2015
	<b>£m</b>	£m	£m
<b>Operating profit</b>	<b>26.0</b>	25.9	52.9
Acquisition related charges (note 9)	<b>4.8</b>	3.7	7.4
<b>Adjusted operating profit</b>	<b>30.8</b>	29.6	60.3
Depreciation or amortisation of tangible and other intangible assets	<b>2.0</b>	1.4	3.5
Share-based payments expense	<b>0.2</b>	0.4	0.5
Cash paid into defined benefit schemes	<b>(0.2)</b>	(0.2)	(0.3)
<b>Non-cash items</b>	<b>2.0</b>	1.6	3.7
Increase in inventories	<b>(2.0)</b>	(4.4)	-
(Increase)/decrease in trade and other receivables	<b>(1.5)</b>	(2.4)	0.2
Increase/(decrease) in trade and other payables	<b>2.5</b>	-	(2.1)
<b>Increase in working capital</b>	<b>(1.0)</b>	(6.8)	(1.9)
<b>Cash flow from operating activities, before acquisition expenses</b>	<b>31.8</b>	24.4	62.1

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the six months ended 31 March 2016**

**8. NET DEBT**

The movement in net debt during the period is as follows:

	<b>31 March 2016 £m</b>	31 March 2015 £m	30 Sept 2015 £m
Net (decrease)/increase in cash and cash equivalents	<b>(1.6)</b>	(2.4)	2.6
Increase in borrowings	<b>(20.0)</b>	(33.5)	(20.0)
	<b>(21.6)</b>	(35.9)	(17.4)
Effect of exchange rates	<b>0.8</b>	(0.3)	(0.9)
<b>Movement in net debt/cash</b>	<b>(20.8)</b>	(36.2)	(18.3)
Net cash at beginning of period	<b>3.0</b>	21.3	21.3
<b>Net (debt)/cash at end of period</b>	<b>(17.8)</b>	(14.9)	3.0
Comprising:			
Cash and cash equivalents	<b>22.2</b>	18.6	23.0
Borrowings	<b>(40.0)</b>	(33.5)	(20.0)
<b>Net (debt)/cash at end of period</b>	<b>(17.8)</b>	(14.9)	3.0

The Group has a committed multi-currency revolving facility of £50m (2015: £40m) which expires on 23 June 2017. On 7 March 2016, the Group exercised its accordion option to increase the committed bank facility from £40m to a maximum facility of £50m. At 31 March 2016, the Group has utilised £40.0m (2015: £33.5m) of this increased facility. Interest on this facility is payable between 120 and 170bps over LIBOR, depending on the ratio of net debt to EBITDA.

**9. GOODWILL AND INTANGIBLE ASSETS**

	<b>Goodwill £m</b>	<b>Acquisition intangible assets £m</b>
At 1 October 2014	80.2	28.6
Acquisitions	12.6	18.2
Adjustment to acquisitions in prior year	0.1	0.2
Amortisation charge	-	(3.3)
Exchange adjustments	(1.6)	(0.6)
At 31 March 2015	91.3	43.1
Acquisitions	1.1	1.6
Amortisation charge	-	(3.6)
Exchange adjustments	(3.1)	(0.9)
At 30 September 2015	89.3	40.2
Acquisitions (note 10)	13.5	19.4
Amortisation charge	-	(4.2)
Exchange adjustments	6.4	3.0
<b>At 31 March 2016</b>	<b>109.2</b>	<b>58.4</b>

Goodwill of £13.5m and acquisition intangible assets of £19.4m arose on the acquisition of businesses in the period and related to the Seals and Controls Sectors.

Goodwill represents the amount paid for future sales growth from both new customers and new products, operating cost synergies and employee know-how. The acquisition intangible assets relate to supplier and customer relationships and these assets will be amortised over five to ten years.

Acquisition related charges of £4.8m (2015: £3.7m), which are charged to the Consolidated Income Statement, comprised £4.2m (2015: £3.3m) of amortisation of acquisition intangible assets and £0.6m (2015: £0.4m) of acquisition expenses, net.



**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the six months ended 31 March 2016**

**10. ACQUISITION OF SUBSIDIARIES**

On 12 October 2015 the Group completed the acquisition of 100% of West Coast Industrial Supplies Pty Limited based in Perth, Australia and its affiliate company, West Coast Industrial Supplies New Caledonia SAS based near Noumea in New Caledonia (together "WCIS" ) for an aggregate maximum consideration of £9.8m (A\$20.5m).

The cash paid on acquisition was £7.5m (A\$15.6m), including net debt acquired of £0.4m (A\$0.8m) and before acquisition expenses of £0.3m (A\$0.6m). Maximum deferred consideration of up to £1.0m (A\$2.0m) is payable based both on the performance of WCIS during the year ended 30 September 2016 and on the renewal of specific customer contracts.

On 24 February 2016 the Group acquired 100% of Ascome SARL, based in Paris, France, for total consideration of £0.7m (€0.8m), including cash acquired of £0.3m (€0.4m); £0.6m (€0.7m) was paid on completion and £0.1m will be paid in 2018.

On 8 March 2016 the Group acquired 100% of Cablecraft Limited based in Houghton-Regis, England, together with its trading subsidiaries Birch Valley Plastics Limited and Krempfast Limited (together "Cablecraft") for initial consideration of £27.2m, which included the return of £6.2m of surplus cash and was before acquisition expenses of £0.5m. Maximum deferred consideration of up to £5.0m is payable based on the performance of Cablecraft for the 12 months ended 31 March 2017.

Set out below is an analysis of the provisional fair values relating to these acquisitions:

	WCIS £m	Cablecraft £m	Ascome £m	Total £m
Acquisition intangible assets	4.8	14.4	0.2	19.4
Deferred tax	(1.5)	(2.9)	(0.1)	(4.5)
Property, plant and equipment	0.5	0.4	-	0.9
Inventories	1.0	1.9	0.1	3.0
Trade and other receivables	1.7	2.9	0.2	4.8
Trade and other payables	(1.9)	(1.8)	(0.1)	(3.8)
Net assets acquired	4.6	14.9	0.3	19.8
Goodwill	3.8	9.6	0.1	13.5
	<b>8.4</b>	<b>24.5</b>	<b>0.4</b>	<b>33.3</b>
Cash paid	7.5	27.2	0.6	35.3
Debt acquired	0.6	-	-	0.6
Cash acquired	(0.2)	(6.7)	(0.3)	(7.2)
Expenses of acquisition	0.3	0.5	-	0.8
<b>Net cash paid, after acquisition expenses</b>	<b>8.2</b>	<b>21.0</b>	<b>0.3</b>	<b>29.5</b>
Additional consideration payable (note 11)	0.5	4.0	0.1	4.6
Less: Expenses of acquisition	(0.3)	(0.5)	-	(0.8)
<b>Total consideration</b>	<b>8.4</b>	<b>24.5</b>	<b>0.4</b>	<b>33.3</b>

The fair values set out above are provisional and will be finalised in the second half of the financial year. The provisional fair value of the net assets acquired, excluding acquisition intangibles and related deferred tax, is £4.9m compared to the book values on acquisition of £5.5m; the reduction of £0.6m relates to the fair value of inventory.

From the date of acquisition to 31 March 2016, the newly acquired WCIS business contributed £3.3m to revenue and £0.4m to adjusted operating profit, the newly acquired Cablecraft business contributed £1.3m to revenue and £0.4m to adjusted operating profit and the newly acquired Ascome business contributed £0.1m to revenue and had a negligible contribution to adjusted operating profit. If these businesses had been acquired at the beginning of the financial year, they would in aggregate have contributed on a pro-rata basis £23.0m to revenue and £4.0m to adjusted operating profit. However these amounts should not be viewed as indicative of the results of these businesses that would have occurred, if these acquisitions had been completed at the beginning of the year.

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the six months ended 31 March 2016**

**11. OTHER LIABILITIES**

	<b>31 March 2016 £m</b>	31 March 2015 £m	30 Sept 2015 £m
Future purchases of minority interests	<b>6.0</b>	5.1	5.7
Deferred consideration	<b>4.6</b>	1.0	0.9
	<b>10.6</b>	6.1	6.6
Analysed as:			
Due within one year	<b>2.3</b>	1.0	2.5
Due after one year	<b>8.3</b>	5.1	4.1

The movement in the liability for future purchases of minority interests is as follows:

	<b>31 March 2016 £m</b>	31 March 2015 £m	30 Sept 2015 £m
At 1 October	<b>5.7</b>	3.5	3.5
Put option entered into during the period	-	3.2	3.2
Acquisition of minority interest on exercise of option	-	(1.2)	(1.4)
Unwinding of discount	<b>0.3</b>	0.2	0.5
Fair value movements	-	(0.6)	(0.1)
<b>At end of period</b>	<b>6.0</b>	5.1	5.7

At 31 March 2016, the Group retained put options to acquire minority interests in TPD, Kentek and M Seals.

At 31 March 2016, the estimate of the financial liability to acquire the outstanding minority shareholdings was reassessed by the Directors, based on their current estimate of the future performance of these businesses and to reflect foreign exchange rates at 31 March 2016.

The put options to acquire the minority interest of 20% held in TPD are exercisable in tranches between 2016 and 2019; the put option to acquire the minority interest held of 10% in M Seals is exercisable in October 2018 and the put option relating to the remaining Kentek 10% minority interest is exercisable in two tranches in 2016 and 2018.

At 31 March 2016, deferred consideration of £4.6m includes £4.0m payable to the vendors of Cablecraft, £0.5m (A\$1.0m) payable to the vendors of WCIS and £0.1m (€0.1m) payable to the vendor of Ascome, based on various performance conditions to be satisfied over the next 12 months.

During the period outstanding deferred consideration of £0.6m (€0.8m) was paid to the vendor of Kentek relating to the purchase of his minority interest last year. In addition, £0.1m (US\$0.2m) was paid to the vendor of HPS in respect of the performance of the business in the year ended 30 September 2015. The balance of £0.2m was not required and has been deducted from acquisition related charges in Note 9.

**Notes to the Condensed Consolidated Financial Statements (continued)**  
**For the six months ended 31 March 2016**

**12. DIVIDENDS**

	<b>31 Mar 2016</b>	31 Mar 2015	30 Sept 2015	<b>31 Mar 2016</b>	31 Mar 2015	30 Sept 2015
	<b>pence per share</b>	pence per share	pence per share	<b>£m</b>	£m	£m
- Final dividend of the prior year, paid in January	<b>12.4</b>	11.6	11.6	<b>14.0</b>	13.1	13.1
- Interim dividend, paid in June	-	-	5.8	-	-	6.6
	<b>12.4</b>	11.6	17.4	<b>14.0</b>	13.1	19.7

The Directors have declared an increased interim dividend of 6.2p per share (2015: 5.8p) which will be paid on 15 June 2016 to shareholders on the register on 27 May 2016. The total value of the dividend will be £7.0m (2015: £6.6m).

**13. EXCHANGE RATES**

The following exchange rates have been used to translate the results of the overseas businesses:

	<b>31 March 2016</b>	<b>Average</b> 31 March 2015	30 Sept 2015	<b>31 March 2016</b>	<b>Closing</b> 31 March 2015	30 Sept 2015
US dollar (US\$)	<b>1.46</b>	1.54	1.54	<b>1.44</b>	1.48	1.51
Canadian dollar (C\$)	<b>1.97</b>	1.85	1.91	<b>1.86</b>	1.88	2.03
Australian dollar (A\$)	<b>2.02</b>	1.90	1.99	<b>1.87</b>	1.94	2.16
Euro (€)	<b>1.34</b>	1.32	1.35	<b>1.26</b>	1.38	1.36